

- Exports slump in October, as a strong dollar continues to take a toll on markets for BC products
- Housing starts plunge in November, reversing gains earlier in the fall
- British Columbians avid Internet shoppers

The Economy

- Exports of BC products plunged to 6.1% below the 2002 level in October. The drop in the value of exports was widespread across most sectors. Energy exports, which remained well above 2002 levels (+26.3%), were the lone exception. International shipments of forest products were off 5.9%. Exports of other goods made in BC were even softer: machinery and equipment exports dropped 13.2%, while shipments of industrial goods (-16.0%) and agriculture and fish products (-24.4%) were also down significantly.

Nationally, exports slipped (-8.8%, year-over-year) for the seventh month in a row as weakness in international markets for Canadian products persisted. Manitoba (-0.3%) was the only province to see little change in the value of its exports. Newfoundland (-21.8%), Quebec (-12.7%), New Brunswick (-12.5%) and PEI (-12.0%) posted the largest declines. In Alberta, exports fell for the first time in more than a year (-2.3%). The recent decline in exports reflects, among other things, the effect of a strong Canadian dollar, which is driving up the cost of goods exported from Canada to the US and overseas.

Data Source: Statistics Canada

- Housing starts in the province plunged 16.2% (seasonally adjusted) in November after increasing in the two previous months. The drop in housing starts was part of a national trend that saw the number of starts fall in all but three provinces. Canadian starts were down 10.2%. Quebec (+1.3%), Alberta (+2.7%) and Nova Scotia (+52.8%) were the only regions where more housing projects were started in November than in the previous month. Most regions saw double-digit declines.

Data Source: CMHC

- The cost of new housing in BC's two biggest cities continued to rise in October. New housing prices in Victoria were 9.0% higher than in the same month last year, while builders in Vancouver received 3.5% more for new housing projects. Prices in Victoria have now climbed back to the level they were at in 1997, while new housing in the Vancouver area costs slightly less (-2.9%) than it did six years ago. These prices reflect costs of land, as well as the type, size, and quality of new housing projects.

Canada's new housing price index advanced 5.0%, year over year, in October as a six-and-a-half-year-long upturn in new housing prices continued.

Data Source: Statistics Canada

- The number of new vehicles sold in the province continued to fall (-2.4%, seasonally adjusted) in October. Sales were down 2.3% nationally. Atlantic Canada, where sales bounced back after plunging in September, was the only region where new vehicle sales were generally strong. Sales remained sluggish in the rest of the country.

Data Source: Statistics Canada

Shopping on the Internet

- Canadian households spent more than \$2.4 billion shopping online in 2002. This was 35% more than the \$1.8 billion worth of goods and services purchased over the Internet in the previous year. The number of households with access to the Internet increased just 4% during this period.

Most of the purchases were made from Canadian websites: for every \$10 spent on the Internet, \$6.36 went to pay for goods and services purchased from Canadian firms. However, a significant amount of e-commerce (\$884 million) was spent at foreign websites.

Did you know...

Three-quarters of Canadian adults spent money—a total of \$11.3 billion—on some form of gambling in 2002. One in twenty were, or had the potential to become, problem gamblers.

An estimated 4.5 million Canadian households are Internet shoppers. Although many use the Internet simply to window shop, 2.8 million households placed orders online, with four-fifths of them paying for their purchases online. Books and magazines remain the most popular Internet purchases, with 27% of households buying these items online. Eighteen percent—or more than half a million Internet households—made travel arrangements on the Internet. Clothing, jewelry and accessories (18%) and computer hardware (14%) were also common Internet purchases.

On average, e-commerce households spent \$876 annually shopping online, with households in Ontario and Western Canada spending the most online. Ontario accounted for nearly half (49%) of the \$2.4 billion spent by Canadians online. British Columbia (with 13% of the Canadian population) accounted for 18% of online spending.

Data Source: Statistics Canada

Hollowing-Out: Empty Heads?

- **A recent Statistics Canada study suggests that there is only limited evidence of "hollowing-out"—the shedding of jobs at head offices of Canadian corporations.** Relatively few sectors show declines in head office employment, while some important sectors, such as mining and oil & gas extraction, are taking on more staff at their corporate headquarters. From 1999 to 2002, the number of head office units in the country increased marginally, from 3,936 to 3,969. Employment at head offices rose a modest 2.7%.

Most head office jobs in Canada are located in the east: Ontario had 74,000 head office workers, while Quebec had 41,000. Alberta (21,100) was a distant third, followed by BC, with 16,500 head office workers. However, the location of head office workers within the country is shifting. The number of head office jobs in Alberta jumped 24% between 1999 and 2002, with an additional 4,100 jobs going to that province during the four-year period. Ontario (+8.3%) also made big gains. However, BC saw the number of head office workers shrink 16% (by 3,100) between 1999 and 2002, as Calgary over-

took Vancouver as the leading head office centre in Western Canada. There were 16,200 head office jobs in Calgary in 2002, 35% more than four years earlier. In contrast, the number of head office jobs in Vancouver dropped to 14,500, a 16% decline.

Data Source: SC, The Daily

Adult Correctional Services

- **On an average day in 2001/02, just under 155,000 adults in Canada were under the supervision of correctional services agencies, an increase of 2% from 2000/01.** Most (122,700) adults were under some kind of community supervision: on probation (83%), serving a conditional sentence (10%), or on parole (7%). About 32,000 adults were in a federal penitentiary or in a provincial or territorial jail.

Data Source: Statistics Canada

The Nation

- **Labour productivity in Canada's business sector made a turn-around in the third quarter, increasing 0.7% after declining during most of the last year.** However, the improvement was well below that seen in the US, where output per hour worked jumped 2.1% in the third quarter.

Data Source: Statistics Canada

- **Capacity utilization by Canadian industries edged down in the third quarter.** Overall, industries were operating at 81.2% of full capacity, well below the peak level of 87.2% reached in the late 1980s. Capacity utilization in the Canadian economy has been declining since 2001. In the third quarter, the oil and gas extraction industry was operating at less than two-thirds (63.1%) of full capacity. At the other end of the spectrum, the mining and construction industries were using 85.6% of their productive capacity. In manufacturing, capacity utilization averaged 82.2%, with both wood (97.0%) and paper producers (94.1%) going full steam ahead. Producers of petroleum and coal products (94.6%), non-metallic minerals (92.9%) and primary metals (91.3%) were also operating at near-full capacity. However, productive capacity was under-utilized in the computer (68.0%) and electrical equipment (69.2%) industries.

Data Source: Statistics Canada

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Relatively Few Small Businesses in BC are Exporters

The large majority of British Columbia's businesses are **small businesses**; however, relatively few of these are exporters.¹ In 2001, there were about 337,400 small businesses in British Columbia—approximately 98% of all businesses in the province—and of these, 4,911 were exporters (1.5% of small businesses).² These small exporters shipped \$10.4 billion worth of goods to international destinations. On the other hand, there were 1,268 large businesses in BC that exported in 2001, which is about 18% of all large businesses in the province. These businesses exported almost twice as much as small businesses at \$21.2 billion.

Small business is defined as a business employing fewer than 50 people or a business operated by a person who is self-employed without paid help

Number of British Columbia* Exporters, Employees and Value of Exports, 2001

	Number of Establishments	Number of Employees	Value of Exports (\$millions)
Small business exporters	4,911	67,867	\$10,401.2
Large business exporters	1,268	277,340	\$21,219.6
Total all exporters	6,179	345,207	\$31,620.8

Despite comprising only a quarter of exporters, large businesses exported almost twice the value of goods in 2001 compared to small businesses

*Includes data for the Territories
Source: Statistics Canada's Exporter Registry

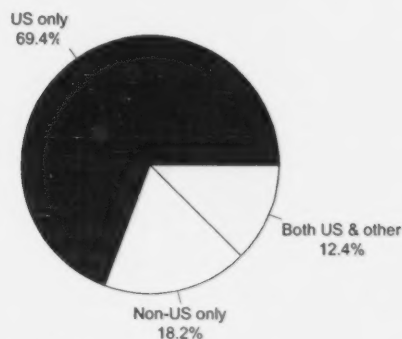
¹ "Exporters" here are defined only as those companies that export commodities to international destinations. Companies that export to other provinces within Canada or export services are not included.

² The source of the number of small businesses is BC Stats. Data on exporters is from Statistics Canada's *Exporter Registry*. The latest data available is for 2001. Data for British Columbia exclusively is not available, rather the data reported here includes exporters in the Territories (Yukon, Northwest Territories and Nunavut). Statistics Canada has grouped the Territories into a region with BC to meet confidentiality requirements; however, based on years where data from the Territories was not suppressed, the inclusion of exporters from the Territories should not significantly influence the numbers. For example, in 1995, the exporting establishments from the Territories represented less than half of a percent of the regional total and for value of exports, the numbers were even less significant, coming in at about 0.1 percent of the regional total.

The reasons for the lack of small business exporters likely include the fact that many of these businesses (approximately 55% of all small businesses) are self-employed persons without paid help who are more likely to be providing a service, rather than manufacturing a good. If data were available on service exports by business size, perhaps more small businesses would be counted as exporters. Also, in order to compete internationally, businesses need to achieve economies of scale and often this means they need to hire more employees to increase production, which in turn makes them large businesses. However, as e-commerce continues to develop, small businesses serving niche markets may take up an increasing share of exports. Small businesses are often better suited to produce specialized items and they may be able to compete with larger businesses even on a global scale.

Currently, most small businesses that export do so exclusively to the United States. In 2001, almost 70% of exporters employing fewer than 50 people shipped exclusively to the US, with another 12% shipping to both the US and at least one other country. Only 18% exported only to a non-US destination.

Most BC* small business exporters shipped exclusively to the United States in 2001



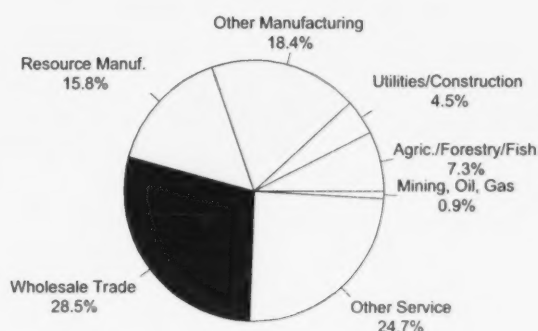
*Includes data for the Territories

The United States was the primary destination for exports by small businesses in BC in 2001

Since small businesses are less likely to be able to afford high transportation costs, this makes sense. Those businesses that did export to other destinations tended to ship greater volumes, which likely helped defray these costs. Small businesses that shipped only to destinations outside the United States were responsible for 34% of all small business exports despite comprising only 18% of small business exporters.

A large percentage of small business exporters are in wholesale trade industries (29%), which contrasts with large business exporters where only 13% are in wholesale trade. For larger exporters, it is far more common for the manufacturers to directly export their products, rather than to have them go through an intermediary such as a wholesaler or a retail outlet. In 2001, 58% of large business exporters in BC were in a manufacturing industry, compared to only 34% of small business exporters. A greater portion of these large manufacturer exporters were in the resource sector (56%) compared to smaller manufacturers that export (36%). Service industries other than wholesale trade comprise about one quarter of small business exporters and 21% of larger exporters. Note that these are service industries that have exported goods, since the *Exporter Registry* does not include service exports. For example, computer programmers that have exported software (a good) to another country will be included as exporters. If those same programmers provided only the services of programming and did not export a physical product, they would not be included as an exporter.

Small business exporters in BC* are concentrated in wholesaling and manufacturing

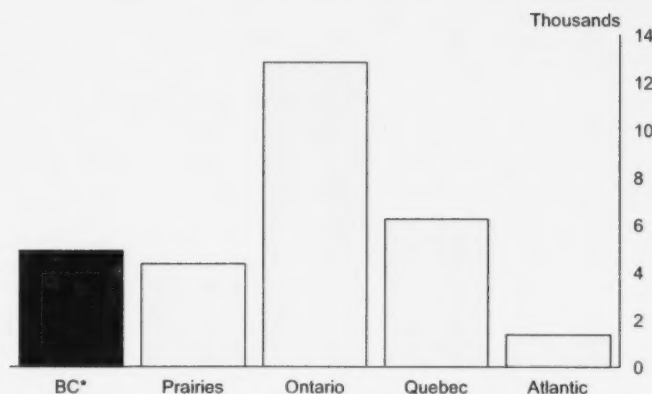


*Includes data for the Territories

Small businesses that export are concentrated less in manufacturing industries and more in wholesale trade compared to larger exporters

A comparison of regions across the country shows that BC had more small businesses that exported than all the Prairie Provinces combined in 2001. Part of the reason for this is that many small farms in the Prairies have their exports handled by large co-operatives such as the Canadian Wheat Board.

BC had more small business exporters in 2001
than all the Prairie Provinces combined...

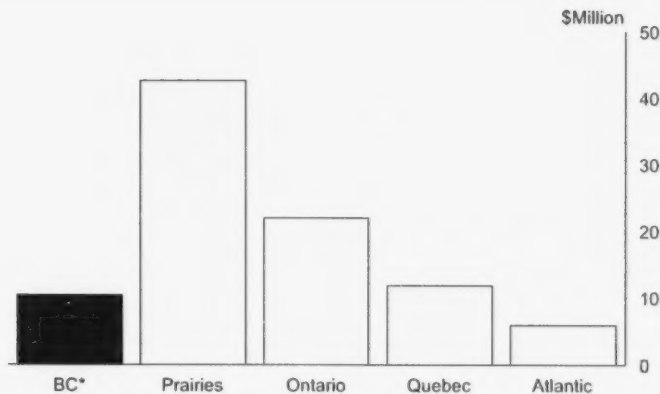


*BC includes data for the Territories

Across Canada, BC has a significant number of small businesses that export...

However, despite having more small business exporters than the Prairies, the value of shipments by BC small business exporters paled in comparison to exports from the Prairie Provinces. In fact, small businesses in the Prairies exported almost twice the value of goods compared to those in Ontario, which exported twice as much again as small business exporters in British Columbia. The large majority of the exports from the Prairies (91%) were non-manufactured goods, which may be an indication that they were mainly agricultural products.

...however, the value of BC's exports by small businesses ranked well below that in the Prairies



*BC includes data for the Territories

...but these businesses tend to export lower values of goods compared to those in the Prairies

Whether or not a business exports and how much it ships depends a lot on the type of products it produces. Some of the regional differences in terms of number of small business exporters and value of exports are likely driven by the types of industries present in each province. Small businesses are less likely than large businesses to export due simply to the nature of economies of scale that allow those larger enterprises to better compete in a global marketplace. However, the continuing growth in electronic commerce through the Internet should help small businesses market their product abroad and may result in a larger proportion of small businesses exporting in the future.

 fax transmission information service from **BC STATS**

 Email transmission information service from **BC STATS**

 also on the Internet at www.bcstats.gov.bc.ca

BC at a glance . . .

POPULATION (thousands)		
	Jul 1/03	% change on one year ago
BC	4,146.6	0.8
Canada	31,629.7	0.9
GDP and INCOME		
(BC - at market prices)	2002	% change on one year ago
Gross Domestic Product (GDP) (\$ millions)	135,552	2.7
GDP (\$ 1997 millions)	128,151	2.4
GDP (\$ 1997 per Capita)	31,143	1.5
Personal Disposable Income (\$ 1997 per Capita)	19,576	0.1
TRADE (\$ millions, seasonally adjusted)		
		% change on prev. month
Manufacturing Shipments - Sep	2,903	2.5
Merchandise Exports - Sep	2,558	1.3
Retail Sales - Sep	3,395	-2.2
CONSUMER PRICE INDEX		
(all items - 1992=100)	Oct '03	12-month avg % change
BC	120.6	2.5
Canada	122.4	3.2
LABOUR FORCE (thousands)		
(seasonally adjusted)	Nov '03	% change on prev. month
Labour Force - BC	2,217	-0.2
Employed - BC	2,048	0.0
Unemployed - BC	169	-2.6
		Oct '03
Unemployment Rate - BC (percent)	7.6	7.8
Unemployment Rate - Canada (percent)	7.5	7.6
INTEREST RATES (percent)		
	Dec 10/03	Dec 11/02
Prime Business Rate	4.50	4.50
Conventional Mortgages - 1 year	4.75	4.90
- 5 year	6.50	6.70
US/CANADA EXCHANGE RATE		
	Dec 10/03	Dec 11/02
(avg. noon spot rate) Cdn \$	1.3079	1.5558
US \$ (reciprocal of the closing rate)	0.7648	0.6428
AVERAGE WEEKLY WAGE RATE		
(industrial aggregate - dollars)	Nov '03	% change on one year ago
BC	682.88	0.7
Canada	667.89	2.1
SOURCES:		
Population, Gross Domestic Product, Trade, Prices, Labour Force, Wage Rate } Statistics Canada		
Interest Rates, Exchange Rates: Bank of Canada Weekly Financial Statistics		
For latest Weekly Financial Statistics see www.bankofcanada.ca		

2001 Census Profiles

We have started the roll-out of our area profiles based on the 2001 Census. Check them out at

www.bcstats.gov.bc.ca/data/cen01/c01index.htm

Each 18-page profile, in PDF format, reveals just about all you can know about an area. Three pages of charts compare the area's makeup to that of the province (or country in the case of our provincial profiles). These are followed by data tables showing both local values and percentage distributions. A number of charts and tables feature data sorted according to the unique local experience.

Canada, the provinces, & regional district profiles are posted to our site now. We will post an additional 1400 areas as soon as we develop the look-up code and obtain the required storage capacity - coming soon are profiles for

- ✓ Census Subdivisions
- ✓ Urban Areas & neighbourhoods
- ✓ Designated Places

These additional files will be available in our WebStore for \$5 each and will be included in our subscription site (\$200/year).

This work is a bigger task than we realized. Our current estimate is that these files will be available by December 19. In the meantime we have updated our *Community Facts* series to include an expanded section based on the 2001 Census

Released this week by BC STATS

- Current Statistics, November 2003

Next week

- Exports, October 2003